Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

DecisionPoint Systems, Inc.

Speculative Buy

John Nobile
August 25, 2021

DPSI $1.75 — (OTC)

	2019A	2020A	2021E	2022E
Revenues (millions)	$43.9	$63.4	$64.9	$70.2
Earnings (loss) per share	$0.06	$0.18	$0.14*	$0.10

52-Week range	$7.00 – $1.22	Fiscal year ends:	December
Common shares out as of 8/13/21	13.9 million	Revenue per share (TTM)	$4.43
Approximate float	11.9 million	Price/Sales (TTM)	0.4X
Market capitalization	$24 million	Price/Sales (FY2022)E	0.4X
Tangible book value/share	0.09	Price/Earnings (TTM)	11.7X
Price/tangible book value	19.4X	Price/Earnings (FY2022)E	17.5X

**Includes an $0.08 per share gain from the extinguishment of debt associated with the forgiveness of PPP loans.*

DecisionPoint Systems, headquartered in Irvine CA, is a provider and integrator of mobility and wireless systems for business organizations. The company designs, deploys and supports mobile computing systems that enable customers to access employers' data networks at various locations (i.e. the retail selling floor, warehouse and distribution centers or on the road deliveries). DecisionPoint also integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

Key investment considerations:

Reiterating our Speculative Buy rating of DecisionPoint Systems, Inc. (DPSI) and maintaining our 12-month price target of $3.00 per share.

DecisionPoint operates in the enterprise mobility market. Research and Markets estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The market is expected to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

The company has supplemented its organic growth by identifying and then acquiring and integrating those businesses which has resulted in a broader and more sophisticated portfolio of product offerings. DPSI is also diversifying and expanding its customer base and the markets it serves.

We project sales growth of 2.5% to $64.9 million and EPS of $0.14, a decrease from the prior year's EPS of $0.18 per share primarily due to higher SG&A expenses associated with the ExtenData acquisition. We previously projected revenue of $65 million and EPS of $0.13. The change in our projections reflects 2Q21 results and the lingering effect from supply chain issues experienced in 1H21.

We project 2022 sales growth of 8.1% to $70.2 million (unchanged) and EPS of $0.10 (unchanged) compared to an EPS projection of $0.06 after excluding an $0.08 per share gain in 2020 associated with forgiveness of PPP loans.

DPSI reported (8/17/21) revenue decreased 3.1% to $15.2 million and EPS of $0.01 versus $0.06 in 2Q20. We projected revenue of $15 million and EPS of $0.00.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

We are reiterating our **Speculative Buy** rating of DecisionPoint Systems, Inc. (DPSI) and maintaining our 12-month price target of $3.00 per share.

DecisionPoint operates in the high growth enterprise mobility market. Research and Markets estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The market is expected to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

The company has supplemented its organic growth by identifying and then acquiring and integrating those businesses which has resulted in a broader and more sophisticated portfolio of product offerings. DPSI is also working to diversify and expand its customer base and the markets it serves.

DPSI trades at a P/E multiple of 25X (excluding the 1H21 $0.08 per share gain associated with the forgiveness of PPP loans). The IT services industry currently trades at an average multiple of approximately 36X. We believe the disparity between DPSI's multiple and the industry average is due to the markets' perception of growth prospects. With the growth in sales and normalized earnings forecasted for 2022, we believe investors are likely to accord DPSI the industry multiple. Applying a multiple of 36X to our 2022 EPS of $0.10, discounted for execution risk, we derive a twelve-month value of $3.00 per share.

Business

Headquartered in Irvine CA, DecisionPoint Systems is a provider and integrator of mobility and wireless systems for business organizations. The company designs, deploys and supports mobile computing systems that enable customers to access employers' data networks at various locations (i.e. the retail selling floor, nurse workstations, warehouse and distribution centers, as well as on the road deliveries via enterprise-grade handheld computers, printers, tablets, and smart phones). DecisionPoint also integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

In June 2018, DPSI acquired Royce Digital Systems, Inc., a provider of enterprise print and mobile technologies, deployment services and on-site maintenance. In December 2020, DPSI acquired ExtenData Solutions, LLC, a provider of software product development, mobile computing, identification and tracking solutions, and wireless tracking solutions for enterprise mobility.

Products and Services

DecisionPoint offers mobile data collection devices such as tablets, computers, and vehicle mount computers (see picture at right), which can help organizations significantly improve efficiency to help meet customer expectations for speed and accuracy. The company also offers ruggedized mobile data collection solutions designed to perform in the most demanding environments.

Source: DecisionPoint Systems, Inc.

DecisionPoint offers wearable computers, barcode scanners, and accessories that enable hands-free operation for increased operational flexibility, improved ergonomics, and safety. The company's barcode equipment, systems, and supplies are designed to work even with damaged barcode labels.

The company's hardware partners include Zebra Technologies, Honeywell, Datalogic, Extreme Networks, and VeriFone.

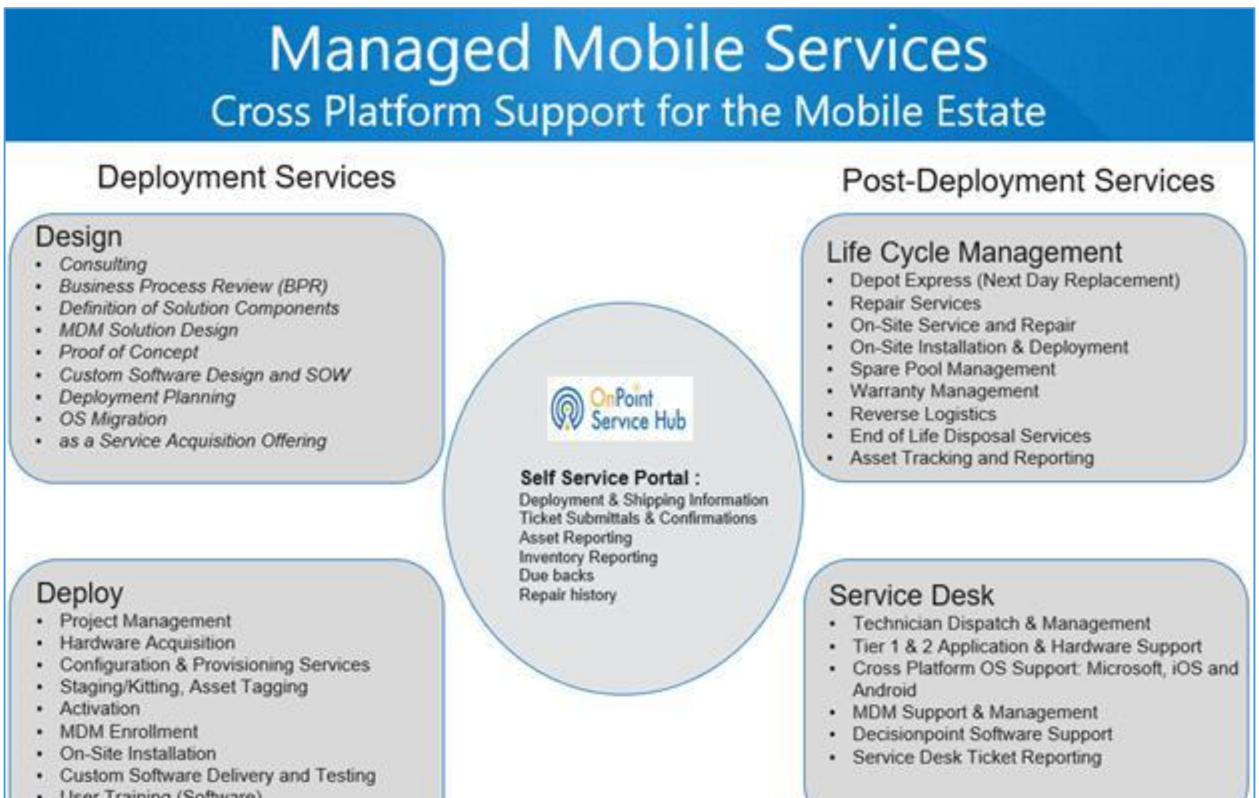
The company's offerings include software for direct store delivery management, electronic proof of delivery, and yard management to effectively track, monitor, and manage cargo from when it enters a location to when it leaves. DecisionPoint also offers custom mobile application software to meet the unique requirements a customer may have.

Some of DecisionPoint's software partners include SOTI, Ivanti, BlueFletch, VMWare-Airwatch, and MobileIron.

The company's professional services include consulting, staging, deployment, installation, repair and customer specified software customization. DecisionPoint's also offers hardware and software maintenance support for hardware and software that was acquired from the company or others.

DecisionPoint's Mobile Device Management offering allows for remote management of thousands of devices in a single interface and provides full visibility and reporting of those devices, including barcode equipment and systems.

The company's OnPoint™ Service Hub is a real-time asset management and tracking information portal that provides customers with a 24/7 view of their technology assets being managed by DecisionPoint (see example below).



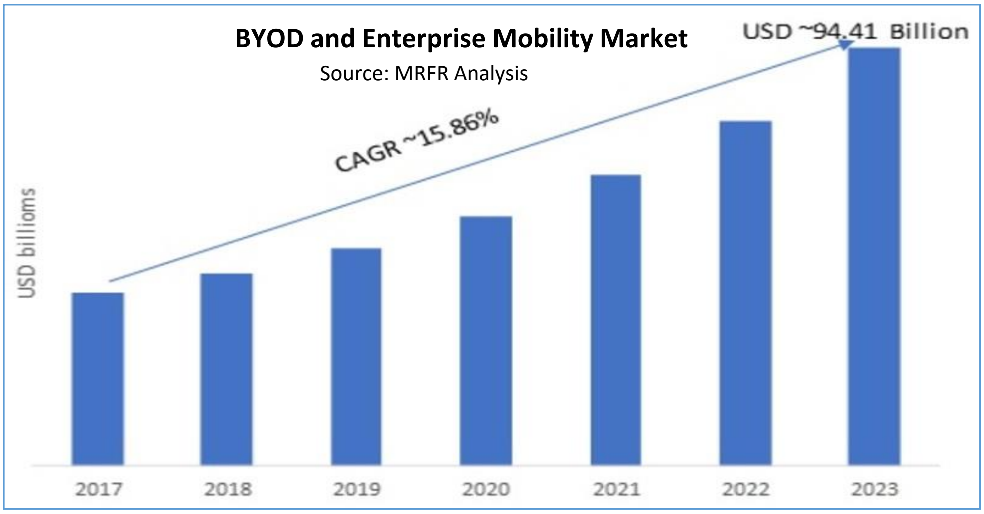
Source: DecisionPoint Systems, Inc.

DecisionPoint also offers "as a service" models that include devices, services, software and consulting in which customers pay a recurring monthly fee.

DecisionPoint's services can benefit enterprises by improving their speed-to-market and user adoption, and by cutting administrative costs through managing and consolidating suppliers. The company also helps enterprises in reducing ongoing support costs through preventative incident avoidance, managing back-end warranties, service contracts, and rapid repairs for multiple products and vendors.

The company provides cross-platform support for many enterprise mobility platforms including Windows, Android, and iOS.

Enterprise Mobility Market



According to a report by Market Research Future[1], the global market for BYOD and Enterprise Mobility is expected to grow from $39 billion in 2017 to $94.4 billion by 2023, for a compound annual growth rate (CAGR) of approximately 15.9% during the forecast period (see chart at right). The BYOD (bring your own device) & enterprise mobility market enables employees to use their personal devices such as tablets, smartphones, and laptops for professional purposes. Increased productivity, employee satisfaction, and reduced hardware costs are considered to positively impact a company, its employees and drive overall market growth.

The Market and Research Future report projects the global BYOD and Enterprise Mobility market is likely to show significant growth, as small and medium size enterprises adopt cloud-based services. Reduced hardware costs, increased penetration of smartphones and the rising demand for enterprise mobility software in large enterprises are also driving growth in the BYOD and enterprise mobility market.

High demand for BYOD and Enterprise Mobility solutions from various sectors such as energy and utility, healthcare and life sciences, media and entertainment, retail and consumer goods, IT and telecommunication, and transportation and logistics are expected to help drive strong growth. Significant opportunities in this market are expected in North American and Europe, attributed to the growing cloud-based applications in these regions. Also, the Asia-Pacific region is expected to account for a major share of growth during the forecast period.

A report by Research and Markets[2] estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The report projects the market to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

Research and Markets reported that with COVID-19 ushering in a phase of social distancing and lockdowns, the trend towards remote working gained momentum. With the world confronted by the COVID-19 pandemic, several business operations have felt the need for technologies to remain operational amidst such emergencies.

1. https://www.marketresearchfuture.com/reports/byod-enterprise-mobility-market-6699
2. https://www.researchandmarkets.com/reports/4804695/byod-and-enterprise-mobility-global-market#src-pos-1

The pandemic accentuated the need for adaptability among organizations to shift from the traditional office model to the digital workplace. Staying ahead of the competition involves embracing the needed change which currently has companies going digital, enabling remote working options, and adopting the bring your own device approach, all characteristics of enterprise mobility.

User identity verification is important as corporate content and data is being accessed by multiple mobile devices. Enterprise Mobility Management (EMM) is emerging as a one stop solution for encryption, user authentication, anti-virus controls, and remote data/device access. EMM will play a major role in managing, streamlining, viewing, tracking, monitoring and securing all content, devices and apps of an organization ensuring that only authorized employees are able to access devices from anywhere at any time to enhance company productivity.

Competition

DecisionPoint's business is involved in automatic identification and data capture technology which refers to the methods of automatically identifying objects, collecting data about them, and entering them directly into computer systems. The automatic identification and data capture (AIDC) business is one that is highly fragmented and covered by many competitors that range from a one-man shop to multi-billion-dollar companies. DecisionPoint attempts to separate itself from the competition with its expertise and ability to help a customer manage an entire project vs. buying a product.

The following companies are examples of competitors in the AIDC Industry: CDW, a provider of thousands of products as a general IT supplier, and Denali Advanced Integration, a full system integration company with services ranging from IT Consulting, Managed Services and Enterprise Mobility Solutions. Other competitors in the US are catalog and online equipment resellers that offer end-users deeply discounted, commodity-oriented products; however, they typically offer limited or no maintenance support beyond the manufacturer's warranty.

Strategy

Acquisitions have been an important element of DecisionPoint's growth strategy and are expected to be in the future. The company has supplemented its organic growth by identifying, and then acquiring and integrating those businesses which has resulted in a broader, more sophisticated portfolio of product offerings while simultaneously diversifying and expanding its customer base and markets.

In 2019, much of DPSI's revenue growth was fueled by its June 2018 acquisition and integration of Royce Digital Systems and the company's increased focus on developing a complete managed services portfolio. The Royce acquisition expanded DecisionPoint's product portfolio with mission critical printers, consumables, and custom labels and a wide array of on-site professional services. Additionally, Royce provided new opportunities in healthcare which is incremental to the company's existing retail and logistics markets. In December 2020, DecisionPoint acquired ExtenData Solutions whose products and services are synergistic and complimentary to those provided by the company.

Economic Outlook

In July 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 6% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2021 is unchanged from its earlier projection (April 2021), the 2022 projection is up from 4.4%. The 2022 upward revision primarily reflects additional fiscal policy support in advanced economies in 2H21 and improved health metrics across the group.

The IMF revised its economic growth estimate for the US to an increase of 7% for 2021 and 4.9% for 2022. In April 2021, the IMF projected US economic growth of 6.4% for 2021 and 3.5% for 2022.

The advance estimate of US GDP growth (released on July 29, 2021) showed the US economy increased at an annual rate of 6.5% in 2Q21, up from the 6.3% increase reported in 1Q21. The 2Q21 US GDP estimate primarily reflects increases in consumer spending, business investment, exports, and state and local government spending, partially offset by decreases in inventory investment, housing investment, and federal government spending.

2Q and 1H21 Financial Results

2Q21 - Total revenue decreased 3.1% to $15.2 million primarily due to a decrease in hardware and software sales in the retail sector as a result of significant equipment upgrade (and resulting purchases of the company's products) in the prior year period from one of the company's largest customers, and supply chain issues impacting product availability. The decrease in sales was partly offset by a $2.9 million increase in overall sales associated with the acquisition of ExtenData in December 2020, as well as an increase in new customer sales, and an increase in hardware sales in retail, healthcare, and car rental agencies as a result of customer operations resuming after COVID-19 restrictions were lifted. Net income decreased to $170,000 or $0.01 per share versus net income of $1 million or $0.06 per share. We projected revenue of $15 million and net income of $38,000 or $0.00 per share.

Although the company generated a higher percentage of sales from services (23.7% versus 19.1% in 2Q20) which typically offer higher margins, gross margins decreased to 23% from 25% due to an increase in compensation associated with a higher professional services headcount.

SG&A expenses increased to $3.4 million from $2.4 million primarily due to increased expenses associated with the ExtenData acquisition.

Interest expense decreased to $21,000 from $72,000 as a result of decreased debt levels and lower interest rates.

1H21 - Total revenue decreased 8% to $31.2 million primarily due to a decrease in hardware and software sales in the retail sector as a result of significant equipment upgrade (and resulting purchases of the company's products) in the prior year period from one of the company's largest customers, and supply chain issues impacting product availability. The decrease in sales was partly offset by a $5.7 million increase in overall sales associated with the acquisition of ExtenData in December 2020, as well as an increase in new customer sales and an increase in hardware sales in retail, healthcare, and car rental agencies. Net income decreased to $1.5 million or $0.10 per share versus net income of $2 million or $0.13 per share. Net income for 1H21 included a $1.2 million or $0.09 per share gain from the extinguishment of debt associated with the forgiveness of PPP loans.

Although the company generated a higher percentage of sales from services (24.8% versus 18.2% in 1H20) which typically offer higher margins, gross margins decreased to 23.5% from 24.3% due to an increase in compensation associated with a higher professional services headcount.

SG&A expenses increased to $6.9 million from $5.2 million primarily due to increased expenses associated with the ExtenData acquisition.

Interest expense decreased to $50,000 from $171,000 as a result of decreased debt levels and lower interest rates.

Income Statements
(in thousands $)

	6M21A	6M20A
Product	23,497	27,762
Service	7,744	6,178
Net sales	31,241	33,940
Product	18,657	22,019
Service	5,250	3,685
Cost of sales	23,907	25,704
Gross profit	7,334	8,236
Sales and marketing	3,799	2,980
General and administrative	3,094	2,232
Operating income (loss)	441	3,024
Other income	1,211	10
Interest expense	(50)	(171)
Income (loss) before taxes	1,602	2,863
Income taxes / (benefit)	99	819
Net income (loss)	1,503	2,044
EPS	0.10	0.13
Shares Outstanding	14,880	15,842
Margin Analysis		
Gross margin	23.5%	24.3%
Sales and marketing	12.2%	8.8%
General and administrative	9.9%	6.6%
Operating margin	1.4%	8.9%
Net margin	4.8%	6.0%
Tax rate	NMF	28.6%
Year / Year Growth		
Total Revenues	(8.0)%	

Source: Company filings

Liquidity

As of June 30, 2021, the company had $3 million cash, a current ratio of 1X, $150,000 of debt (all long-term), and shareholder's equity of $13.4 million or $0.99 per share.

In 1H21, cash provided by operations was $2.5 million consisting primarily of cash earnings of $1.1 million and a $1.4 million decrease in working capital. The decrease in working capital was primarily due to a decrease in receivables offset in part by a decrease in payables. Cash used in investing was $325,000 consisting of cash paid for acquisitions and capital expenditures. Cash used in financing was $1.2 million and consisted primarily of the pay down of debt. Cash increased by $962,000 to $3 million at June 30, 2021.

DecisionPoint has a $10 million line of credit with Pacific Western Business Finance with a maturity date of September 2023. The line of credit bears interest at the prime rate plus 1.25% with a floor of 4.75%. As of June 30, 2021, the company had no outstanding borrowings under the line of credit and an available balance of $6.5 million (determined from a borrowing base calculation on the existing accounts receivable balance).

In August 2020, DecisionPoint received $150,000 in connection with a promissory note from the SBA under the Economic Injury Disaster Loan (EIDL) program pursuant to the CARES Act. Under the terms of the EIDL promissory note, interest accrues on the outstanding principal at an interest rate of 3.75% per annum with a term of 30 years with equal monthly payments of principal and interest of $731 beginning on August 27, 2021.

Projections

Operations 2021

We project sales growth of 2.5% to $64.9 million driven by sustained product and service sales growth within the enterprise mobility market, partially offset by lower sales due to a large order in 2020 that in not expected to be repeated in 2021. We project net income of $2.2 million or $0.14 per share, a decrease from the prior year's net income of $2.9 million or $0.18 per share primarily due to higher SG&A expenses associated with the ExtenData acquisition. We previously projected revenue of $65 million and net income of $2.1 million or $0.13 per share. The change in our projections reflects 2Q21 results and the lingering effect from supply chain issues experienced in 1H21.

Gross margins are projected to improve to 23.8% from 23.4% in 2020 as the company generates a greater percentage of its sales from higher margin services (24.7% in 2021 versus 20% in 2020). Product gross margins in 1H21 were 20.6% compared to service margins of 32.2%.

SG&A expenses should increase to $13.9 million from $10.8 million with the increase in sales and added headcount from recent acquisitions. We project SG&A expense margins of 21.4% in 2021 compared to 17% in 2020.

Interest expense should approximate $50,000 as the company pays off its remaining debt. Taxes are estimated at a rate of 14.9%.

Finances 2021

We project $3 million cash provided by operations will be derived from cash earnings of $2.6 million and a $442,000 decrease in working capital. Cash used in investing of $470,000 should consist of $300,000 of capital expenditures and $170,000 of acquisition costs. Cash used in financing should consist primarily of the pay down of debt. Cash should increase by $1.2 million to $3.2 million at December 31, 2021.

Operations 2022

We project sales growth of 8.1% to $70.2 million (unchanged) driven by continued growth of the company's product and service offerings within the enterprise mobility market. We project net income of $1.5 million or $0.10 per share (unchanged) compared to an EPS projection of $0.06 after excluding the $0.08 per share gain in 2020 associated with the forgiveness of PPP loans.

Gross margins are projected to remain relatively stable at 23.8% with product gross margins of 20.8% and service margins of 32.9%.

SG&A expenses should increase to $14.6 million from $13.9 million to support sales growth. We project SG&A expense margins of 20.7% in 2022 compared to 21.4% in 2021.

We project no interest expense as the company should have no debt. Taxes are estimated at a rate of 29.8%.

Finances 2022

We project $2.8 million cash provided by operations will be derived from cash earnings of $3.2 million and a $356,000 increase in working capital. Cash used in investing of $300,000 should consist of capital expenditures. Cash should increase by $2.5 million to $5.7 million at December 31, 2022.

Risks

In our view, these are the principal risks underlying shares of DPSI.

Funding requirements – DPSI may need to raise additional monies in order to fund its growth strategy and fully implement its business plan. Specifically, DPSI may need to raise additional funds in order to pursue rapid expansion, develop new or enhanced services and products, and acquire complementary businesses or assets. There can be no assurance that additional financing will be available when needed, on favorable terms, or at all.

COVID-19 - A novel strain of coronavirus, COVID-19, is highly contagious and has spread throughout the US and to most of the countries in the world. The pandemic has not had a material adverse effect on the company's results of operations and financial performance however, the pandemic has, and may continue to adversely affect certain of DPSI's customers. It may also impact the ability of the company's service providers, partners, and suppliers to operate and fulfill their contractual obligations resulting in an increase in their costs and delays in performance. These supply chain effects, and the direct effect of the virus and the disruption on certain of DPSI's customers' operations, may adversely impact aggregate customer demand for DPSI's products and services.

Supply chain issues – The company's 1H21 results were impacted by supply chain issues which adversely affected product availability and resulted in supply-chain related hardware cost increases. While this has had an adverse impact on DPSI's short-term financial results, there can be no assurance that this will not adversely impact long-term financial results.

Technological obsolescence – Customer requirements for mobile computing products and services are rapidly evolving and technological changes in the industry occur rapidly. To keep up with new customer requirements and distinguish DPSI from its competitors, the company must frequently introduce new products and services and enhancements to its existing products and services. The company may not be able to launch new or improved products or services before its competition which could cause the company's business to suffer.

Competition – DPSI competes primarily with well-established companies, many of which have greater resources. Barriers to entry are not significant and start-up costs are relatively low, so competition may increase in the future. New competitors may be able to launch businesses similar to DPSI's and current competitors may replicate the company's business model. If the company is unable to effectively compete, it will lose sales to its competitors and revenues will decline.

DPSI's current and prospective competitors include other wireless mobile solutions companies such as CDW, Peak Ryzex, Stratix, Denali Advanced Integration, Optical Fushion, Barcoding Inc., and Quest Solution.

Dependence on a small number of customers - A significant portion of DPSI's revenue is dependent upon a small number of customers. The company had one customer who represented 15% of its revenue for 1H21. The loss of a significant customer could have a material adverse impact on the company.

Dependence on key wireless carrier relationships – DPSI has established key wireless carrier relationships with Sprint, T-Mobile, and Verizon. The company has an informal arrangement with these carriers pursuant to which they provide DPSI referrals of end users interested in field mobility solutions, and DPSI, in turn, provides solutions which require cellular data networks. The company does not have any binding agreements with these carriers. If these carriers were to terminate or materially reduce their business relationships with DPSI, its operating results would be materially harmed.

Integration risk - The ExtenData acquisition (closed in December 2020) was a significant acquisition for DPSI and there can be no assurance that the company will be able to successfully integrate ExtenData into its overall business or otherwise realize the expected benefits of the acquisition. The inability of management to successfully integrate acquired businesses or technologies could have a material adverse effect on the company's business, operating results and financial condition.

Liquidity risk - Shares of DecisionPoint have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 11.9 million shares in the float and the average daily volume is approximately 2,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

DecisionPoint Systems, Inc.

Consolidated Balance Sheets
(in thousands $)

	2018A	2019A	2020A	6/21A	2021E	2022E
Cash	2,450	2,620	2,005	2,967	3,191	5,706
Accounts receivable	8,190	8,710	16,438	11,235	13,529	14,625
Inventory	356	3,825	884	1,136	1,241	1,337
Deferred costs	1,966	2,201	1,744	1,964	1,964	1,964
Prepaid expenses and other	141	268	67	343	343	343
Total current assets	13,103	17,624	21,138	17,645	20,268	23,975
Operating lease assets	-	516	583	457	457	457
Property and equipment, net	140	239	751	742	821	874
Deferred costs	746	1,258	2,097	1,727	1,727	1,727
Deferred tax assets	2,924	2,659	1,973	1,991	1,991	1,991
Intangible assets	3,127	2,394	4,663	4,112	3,555	2,447
Goodwill	6,990	6,990	8,128	8,128	8,128	8,128
Other assets	48	19	22	22	22	22
Total assets	**27,078**	**31,699**	**39,355**	**34,824**	**36,969**	**39,621**
Accounts payable	6,704	10,589	12,852	8,122	9,652	10,397
Accrued expenses and other	2,119	2,222	2,807	2,852	2,877	3,110
Deferred revenue	3,811	3,630	4,617	6,478	6,478	6,478
Line of credit	3,196	3,177	1,206	-	-	-
Current portion of debt	422	144	-	-	-	-
Due to related parties	108	124	34	59	59	59
Current portion of operating lease liabilities	-	140	261	269	269	269
Total current liabilities	16,360	20,026	21,777	17,780	19,335	20,313
Deferred revenue	1,079	1,979	3,140	2,811	2,811	2,811
Long-term debt	1,488	390	1,361	150	-	-
Operating lease liabilites	-	388	340	203	203	203
Other	452	-	873	437	437	437
Total liabilities	**19,379**	**22,783**	**27,491**	**21,381**	**22,786**	**23,764**
Total stockholders' equity (deficit)	**7,699**	**8,916**	**11,864**	**13,443**	**14,183**	**15,857**
Total liabilities & stockholders' equity	**27,078**	**31,699**	**39,355**	**34,824**	**36,969**	**39,621**

Source: Company filings, Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	2018A	2019A	2020A	2021E	2022E
Product sales	26,009	31,990	50,673	48,899	52,600
Service sales	9,149	11,899	12,687	16,042	17,600
Net sales	35,158	43,889	63,360	64,941	70,200
Cost of product sales	21,614	25,866	40,129	38,799	41,659
Cost of service sales	6,287	7,267	8,413	10,843	11,810
Cost of sales	27,901	33,133	48,542	49,641	53,469
Gross profit	7,257	10,756	14,818	15,300	16,731
Sales and marketing	3,341	4,907	5,587	7,619	7,840
General and administrative	3,433	3,999	5,203	6,294	6,720
Operating income (loss)	483	1,850	4,028	1,387	2,171
Other income	-	-	213	1,211	-
Interest expense	(391)	(649)	(319)	(50)	-
Income (loss) before taxes	92	1,201	3,922	2,548	2,171
Income taxes / (benefit)	(3,883)	310	1,061	381	647
Net income (loss)	3,975	891	2,861	2,167	1,524
EPS	0.35	0.06	0.18	0.14	0.10
Shares Outstanding	11,328	15,341	15,622	15,353	15,208
Margin Analysis					
Gross margin - product	16.9%	19.1%	20.8%	20.7%	20.8%
Gross margin - service	31.3%	38.9%	33.7%	32.4%	32.9%
Gross margin	20.6%	24.5%	23.4%	23.6%	23.8%
Sales and marketing	9.5%	11.2%	8.8%	11.7%	11.2%
General and administrative	9.8%	9.1%	8.2%	9.7%	9.6%
Operating margin	1.4%	4.2%	6.4%	2.1%	3.1%
Net margin	11.3%	2.0%	4.5%	3.3%	2.2%
Tax rate	NMF	25.8%	27.1%	14.9%	29.8%
Year / Year Growth					
Total Revenues		24.8%	44.4%	2.5%	8.1%
Net Income		(77.6)%	221.1%	(24.3)%	(29.7)%
EPS		(83.4)%	215.3%	(22.9)%	(29.0)%

Source: Company filings, Taglich Brothers' estimates

2021E - 2022E Quarterly Income Statements
(in thousands $)

	1Q21A	2Q21A	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E
Product sales	11,925	11,574	11,400	14,000	48,899	13,100	12,150	12,100	15,250	52,600
Service sales	4,147	3,595	3,600	4,700	16,042	4,350	4,100	4,050	5,100	17,600
Net sales	16,072	15,169	15,000	18,700	64,941	17,450	16,250	16,150	20,350	70,200
Cost of product sales	9,451	9,208	9,052	11,088	38,799	10,375	9,623	9,583	12,078	41,659
Cost of service sales	2,783	2,465	2,441	3,154	10,843	2,919	2,751	2,718	3,422	11,810
Cost of sales	12,234	11,673	11,492	14,242	49,641	13,294	12,374	12,301	15,500	53,469
Gross profit	3,838	3,496	3,508	4,458	15,300	4,156	3,876	3,849	4,850	16,731
Sales and marketing	1,889	1,910	1,910	1,910	7,619	1,960	1,960	1,960	1,960	7,840
General and administrative	1,620	1,474	1,600	1,600	6,294	1,680	1,680	1,680	1,680	6,720
Operating income (loss)	329	112	(2)	948	1,387	516	236	209	1,210	2,171
Other income	1,211	-	-	-	1,211	-	-	-	-	-
Interest expense	(29)	(21)	-	-	(50)	-	-	-	-	-
Income (loss) before taxes	1,511	91	(2)	948	2,548	516	236	209	1,210	2,171
Income taxes / (benefit)	178	(79)	(1)	283	381	154	70	62	361	647
Net income (loss)	1,333	170	(2)	666	2,167	362	166	147	849	1,524
EPS	0.08	0.01	(0.00)	0.04	0.14	0.02	0.01	0.01	0.06	0.10
Shares Outstanding	15,788	15,208	15,208	15,208	15,353	15,208	15,208	15,208	15,208	15,208
Margin Analysis										
Gross margin - product	20.7%	20.4%	20.6%	20.8%	20.7%	20.8%	20.8%	20.8%	20.8%	20.8%
Gross margin - service	32.9%	31.4%	32.2%	32.9%	32.4%	32.9%	32.9%	32.9%	32.9%	32.9%
Gross margin	23.9%	23.0%	23.4%	23.8%	23.6%	23.8%	23.9%	23.8%	23.8%	23.8%
Sales and marketing	11.8%	12.6%	12.7%	10.2%	11.7%	11.8%	11.8%	11.8%	11.8%	11.2%
General and administrative	10.1%	9.7%	10.7%	8.6%	9.7%	9.6%	10.3%	10.4%	8.3%	9.6%
Operating margin	2.0%	0.7%	0.0%	5.1%	2.1%	3.0%	1.5%	1.3%	5.9%	3.1%
Net margin	8.3%	1.1%	(0.0)%	3.6%	3.3%	2.1%	1.0%	0.9%	4.2%	2.2%
Tax rate	11.8%	(86.8)%	29.8%	29.8%	14.9%	29.8%	29.8%	29.8%	29.8%	29.8%
Year / Year Growth										
Total Revenues					2.5%	8.6%	7.1%	7.7%	8.8%	8.1%
Net Income					(24.3)%	(72.8)%	(2.5)%	NMF	27.6%	(29.7)%
EPS					(22.9)%	(71.8)%	(2.5)%	NMF	27.6%	(29.0)%

Source: Company filings, Taglich Brothers' estimates

DecisionPoint Systems, Inc.

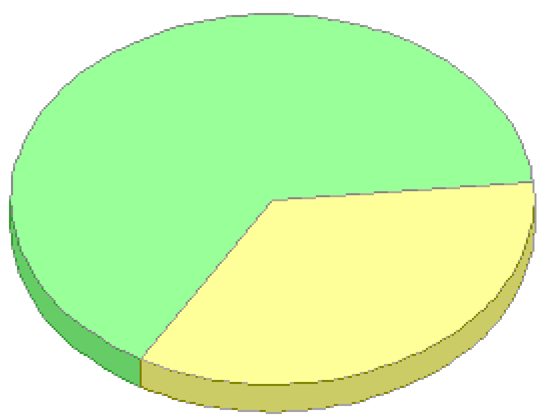
Statement of Cash Flows for the Periods Ended
(in thousands $)

	2018A	2019A	2020A	6M21A	2021E	2022E
Net income (loss)	3,975	891	2,861	1,503	2,167	1,524
Depreciation & amortization	689	809	891	715	1,430	1,447
Gain on extinguishment of debt	-	-	-	(1,211)	(1,211)	-
Amortization of deferred financing costs	57	304	157	25	50	50
Share-based compensation	83	324	87	74	150	150
Acquisition earn-out adjustment	60	(110)	-	-	-	-
Deferred taxes	(3,910)	265	686	(18)	(18)	-
Allowance for doubful accounts	(14)	5	25	-	-	-
Cash earnings (loss)	940	2,488	4,707	1,088	2,568	3,171
Changes in assets and liabilities						
Accounts receivable	(1,743)	(503)	(5,853)	5,203	2,909	(1,096)
Inventory	250	(3,469)	2,945	(252)	(357)	(96)
Deferred costs	(287)	(746)	(382)	150	150	-
Prepaid expenses and other	36	(148)	254	(301)	(276)	-
Other assets	(29)	21	(8)	-	-	-
Accounts payable	1,185	4,047	585	(4,730)	(3,200)	744
Acrrued expenses and other	23	275	294	(221)	(338)	91
Due to related parties	35	16	(90)	25	25	-
Operating lease liabilites	-	(163)	6	(3)	(3)	-
Deferred revenue	1,417	717	1,738	1,532	1,532	-
(Increase) decrease in working capital	887	47	(511)	1,403	442	(356)
Net cash provided by (used in) operations	**1,827**	**2,535**	**4,196**	**2,491**	**3,010**	**2,815**
Purchases of property and equipment	(84)	(175)	(93)	(155)	(300)	(300)
Cash paid for acquisitions	(4,189)	(500)	(3,409)	(170)	(170)	-
Net cash provided by (used in) investing	**(4,273)**	**(675)**	**(3,502)**	**(325)**	**(470)**	**(300)**
Repayment of term debt	(385)	(1,636)	(646)	-	(150)	-
Line of credit	(67)	(19)	(1,971)	(1,206)	(1,206)	-
Proceeds from issuance of term debt	2,250	-	1,361	-	-	-
Debt issuance costs	(165)	(36)	(53)	-	-	-
Proceeds from issuance of common stock	3,168	-	-	-	-	-
Common stock issuance costs	(507)	-	-	-	-	-
Proceeds from exercise of stock options	1	1	-	2	2	-
Net cash provided by (used in) Financing	**4,295**	**(1,690)**	**(1,309)**	**(1,204)**	**(1,354)**	**-**
Net change in cash	**1,849**	**170**	**(615)**	**962**	**1,186**	**2,515**
Cash - beginning of period	**601**	**2,450**	**2,620**	**2,005**	**2,005**	**3,191**
Cash - end of period	**2,450**	**2,620**	**2,005**	**2,967**	**3,191**	**5,706**

Source: Company filings, Taglich Brothers' estimates

Price Chart

Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**2**	**11**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Michael Taglich, President of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 1,556,870 shares of DPSI common stock and warrants to acquire 157,555 shares of common stock. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 738,376 shares of DPSI common stock, and warrants to acquire 157,555 shares of DPSI common stock. Robert Schroeder, Vice President - Investment Banking of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 53,615 shares of DPSI common stock and warrants to acquire 126,320 shares of DPSI common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 6,915 shares of DPSI common stock and warrants to purchase 68,610 shares of common stock. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in warrants to purchase 16,250 shares of DPSI common stock. John Nobile, the research analyst of this report, owns or has a controlling interest in 1,214 shares of DPSI common stock and warrants to purchase 7,600 shares of DPSI common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in warrants to purchase 143,710 shares of DPSI common stock. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In December 2012, and November 2013, Taglich Brothers Inc. served as the placement agent in private placements of convertible preferred stock for the company. In March 2016, Taglich Brothers Inc. served as the placement agent in a private placement of secured notes for the company. In June 2018, Taglich Brothers Inc. served as the placement agent in a private placement of common stock for the company. In October 2018, Taglich Brothers Inc. served as the placement agent in private placements of notes and common stock for the company.

All research issued by Taglich Brothers, Inc. is based on public information. The company will pay a monthly monetary fee of $1,500 (USD) for the creation and dissemination of research reports for a minimum of twelve months after publication of the initiation report.

General Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Datalogic (OTC: DLGI)
Extreme Networks (Nasdaq: EXTR)
Honeywell (Nasdaq: HON)
VMWare (NYSE: VMW)
Zebra Technologies (Nasdaq: ZBRA)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.